



Game Board Part 2: Institutions and Policies

Howard Schwartz and Tony Usibelli



Allocation of Energy Responsibilities to Federal, State and Local Governments

Howard Schwartz



Overview

A grounding in the obvious:

- Responsibility for development and implementation of public policy is shared among federal, state and local governments
- Responsibilities can—and do—shift over time
- Many assignments of responsibility are settled while others are fiercely contested
- Our policy goals can—and must—be addressed at different levels of government

Taxonomy

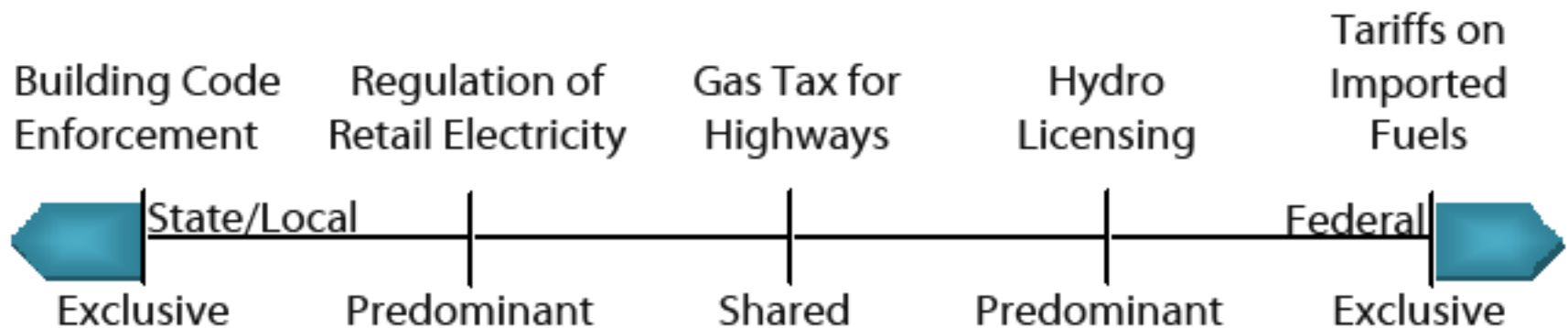
Responsibility can be:

- Exclusive
- Predominant
- Shared

And these arrangements can be:

- Settled, or
- Contested

Jurisdiction: Exclusive-Predominant-Shared



Some issue areas shared between states and federal government are especially contested

- Transmission siting
- Paying for new transmission—allocation of costs
- LNG terminals
- Off-shore oil and gas

Some issue areas shared, but with tensions

- Highway funding and motor fuels taxes
- On-shore oil and gas environmental regulation
- Conservation by consumer owned utilities:
 - NWPCC
 - BPA
 - State (I-937)
 - Local utilities

More or Less Settled: Shared with Equilibrium

- Environmental regulation of fossil-fuel generation (state implementation of federal statutes and rules)
- Environmental regulation of oil refineries
- Biofuels—overlapping mandates and funding/incentives

More or Less Settled: Federal Role

Predominant (Federal preemption; state role)

- Hydro licensing—but states have major role in water quality
- Appliance efficiency standards—what the feds haven't regulated, the states can
- Motor vehicle CAFE standards—California exception for Clean Air Act
- Electricity transmission rates—federal for interstate; states for intra-state

More or Less Settled: States Predominant

(state authority with federal influence)

- Writing and adopting of building codes
- Retail electricity rate regulation
- Retail natural gas rate regulation
- Land use planning framework
- Siting of large electricity generation and intra-state pipelines

More or Less Settled: Local Governments

Predominant (may have some state framework or federal participation)

- Land use planning
- Mass transit
- Enforcement of building codes
- Siting of small electricity generation
- Siting of non-electricity energy facilities

Exclusive Jurisdiction

- Mainly federal
- Tied to Commerce Clause of the Constitution
- Examples:
 - Interstate natural gas pipeline siting and cost allocation
 - Tariffs on imported fuel

Another View: Policy/Issue Area Perspective

Building codes—shared responsibility

- **Federal:** Financial support and guidance
- **State:** Adopt code and set standards
- **Local:** Enforce code; some opportunity for higher standards

Energy Conservation

- **Federal:** Lead in light duty vehicles; support in codes; lead in (most) appliance efficiency standards; lots of funding at times
- **State:** Lead in energy codes; lead in utility conservation programs
- **Local:** Low Income Weatherization via Community Action Programs; code enforcement; efficiency in and via mass transit

Renewable Energy

- **Federal:** Research and incentives (tax and grants); siting on federal land; could adopt renewable portfolio standard
- **State:** Renewable portfolio standards, tax incentives, siting authority (with local government)
- **Local:** Siting (shared with state)

Smart Grid: One Perspective

From *Smart Grid Today*:

“FERC’s role in smart grid development includes adopting interoperability standards and overseeing smart grid initiatives at the wholesale level. ‘But of course, it’s going to be more in the laps of my colleagues at the state level to incorporate most of those policies and not so much at FERC,’ said [Commissioner Phil] Moeller.”

Implications for State Energy Strategy

- Focus only on things State of Washington can do, or consider how to influence policies at other levels of government?
- In electricity, the Northwest has regional institutions (BPA, Power Council) that add another level of government whose authority and influence has to be addressed.



A look at Washington State Energy Policies

Tony Usibelli



Regulating Power Plants

- 40-year role for Energy Facility Site Evaluation Council (EFSEC)
 - One-stop permitting for large nuclear/fossil fuel electricity facilities (plus pipelines, large refineries, some transmission lines)
 - Opt in for renewable energy projects added recently
 - CO2 emissions requirements for new plants
 - Common although not universal state policy function
- Local governments retain siting for small facilities; have been developing renewable siting regulations (e.g., Klickitat County wind siting)

Regulating Power Plants – 2

- Can be significant tensions between local and state roles, .e.g., Kittitas Valley project
- Significant recent policy: prohibition of long-term utility contracts for high CO2 emitting power plants

Washington Electric Utilities

- More than 100 years: Regulation of rates and operations of investor-owned electric and natural gas utilities (IOU) by **Utilities and Transportation Commission (UTC)**
- 59 Consumer Owned Utilities (COU) are local governments – **Municipal Utilities** or **Public Utility Districts (PUDs)** or **Cooperatives**
- Most active energy sector for state and local policy

Washington Electric Utilities – 2

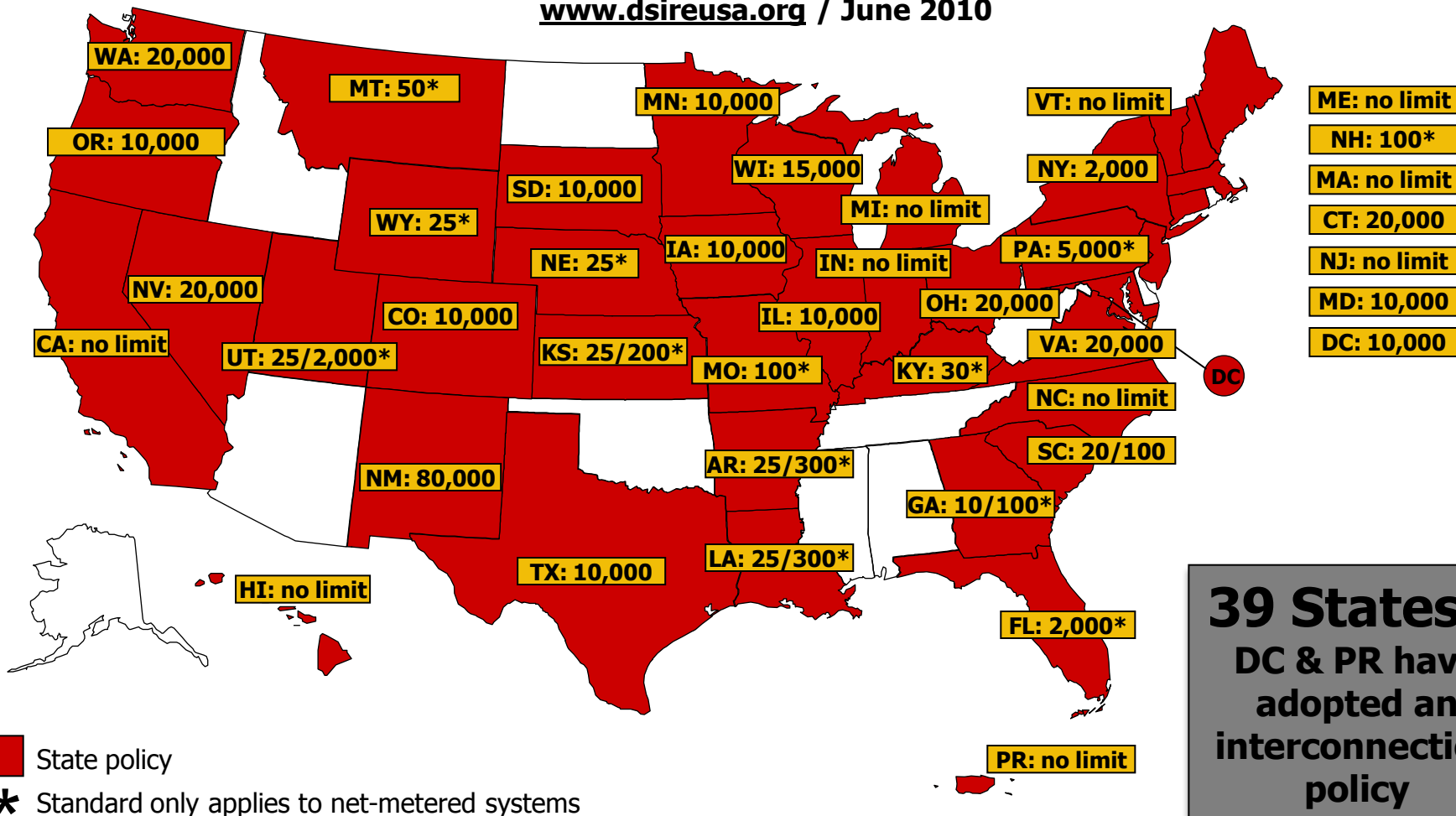
- Number, type, and diversity of electric utilities makes for robust policy discussion, difficulty in reaching agreement
- Highlights most directly our “competitive prices” goal
- Many new policies in last decade require utilities to balance diverse and, perhaps, conflicting requirements
- Voluntary Green Power Purchasing Option (early alternative to renewable portfolio standard)
- Integrated Resource Plan or Resource Plan required for all electric utilities

Washington Electric Utilities – 3

- Disclosure of utility fuel mix
- Interconnection requirements/standards for small renewable systems
- Net metering
- Large utilities required to identify and capture all cost effective energy efficiency
- Large utilities required to meet renewable energy targets
- Authority for consumer owned utilities to offer conservation program (two constitutional amendments)

Interconnection Standards

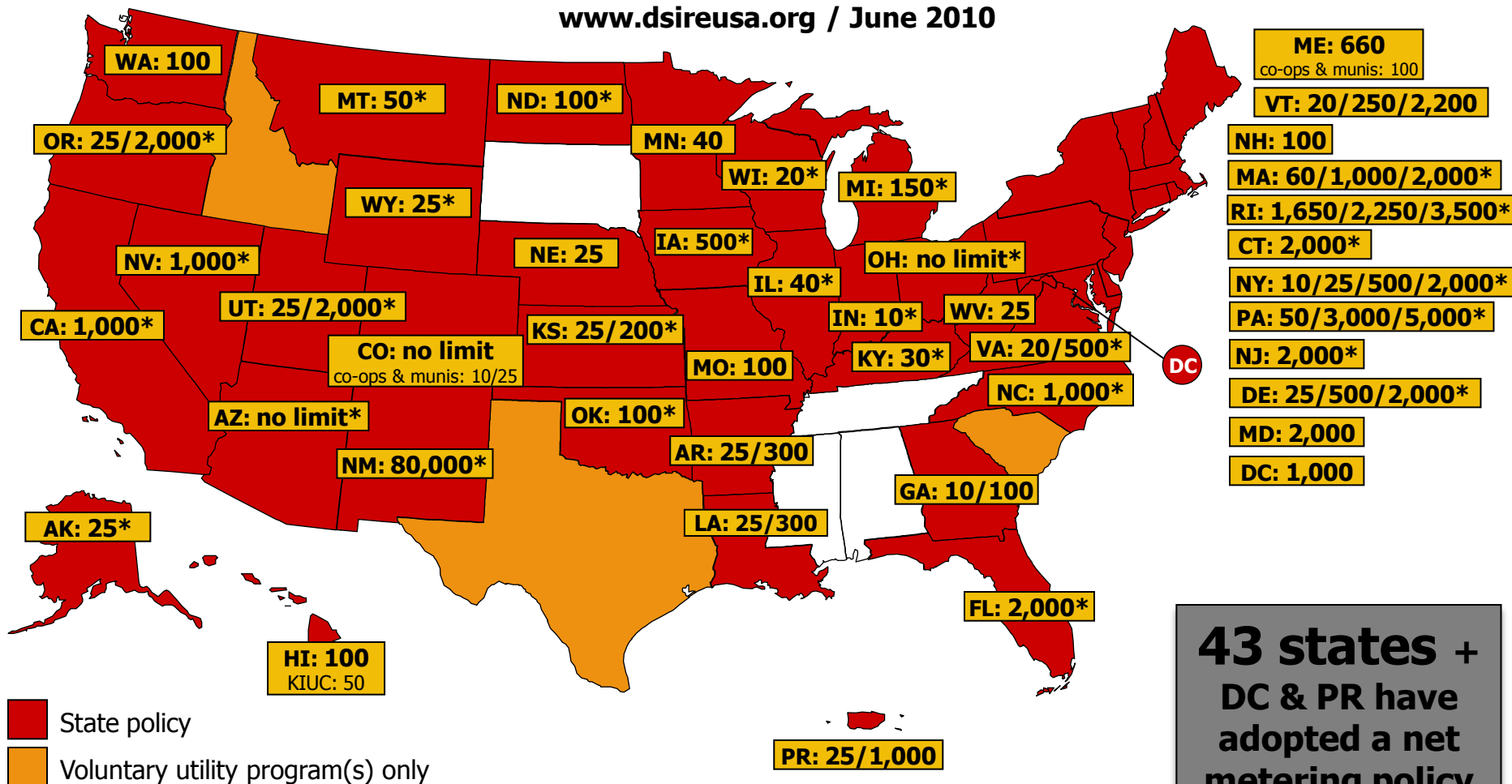
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Notes: Numbers indicate system capacity limit in kW. Some state limits vary by customer type (e.g., residential/non-residential). "No limit" means that there is no stated maximum size for individual systems. Other limits may apply. Generally, state interconnection standards apply only to investor-owned utilities.

Net Metering

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**43 states +
DC & PR have
adopted a net
metering policy**

Note: Numbers indicate individual system capacity limit in kW. Some limits vary by customer type, technology and/or application. Other limits might also apply.

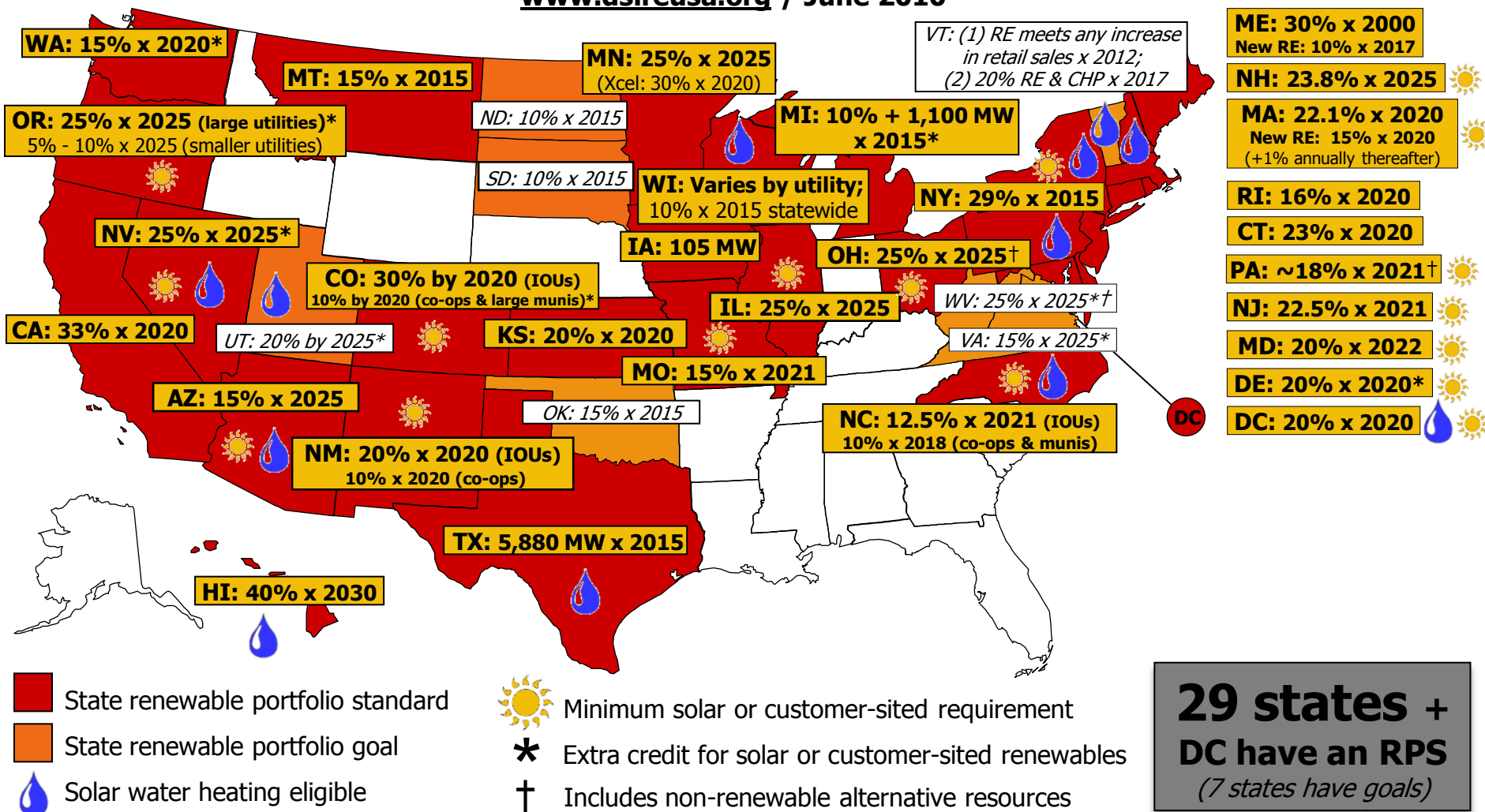
Renewable Electricity

Energy Independence Act (I-937)

- Efforts to develop during 5 legislative sessions; ultimately adopted as an initiative
- Applies to large electric utility (25,000+ customers)
- Requires 3% renewables by 2012, 9% by 2016, and 15% by 2020
- Issues center around what renewables qualify; different impacts for each utility; and costs for implementation

Renewable Portfolio Standards

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29 states + DC have an RPS
(7 states have goals)

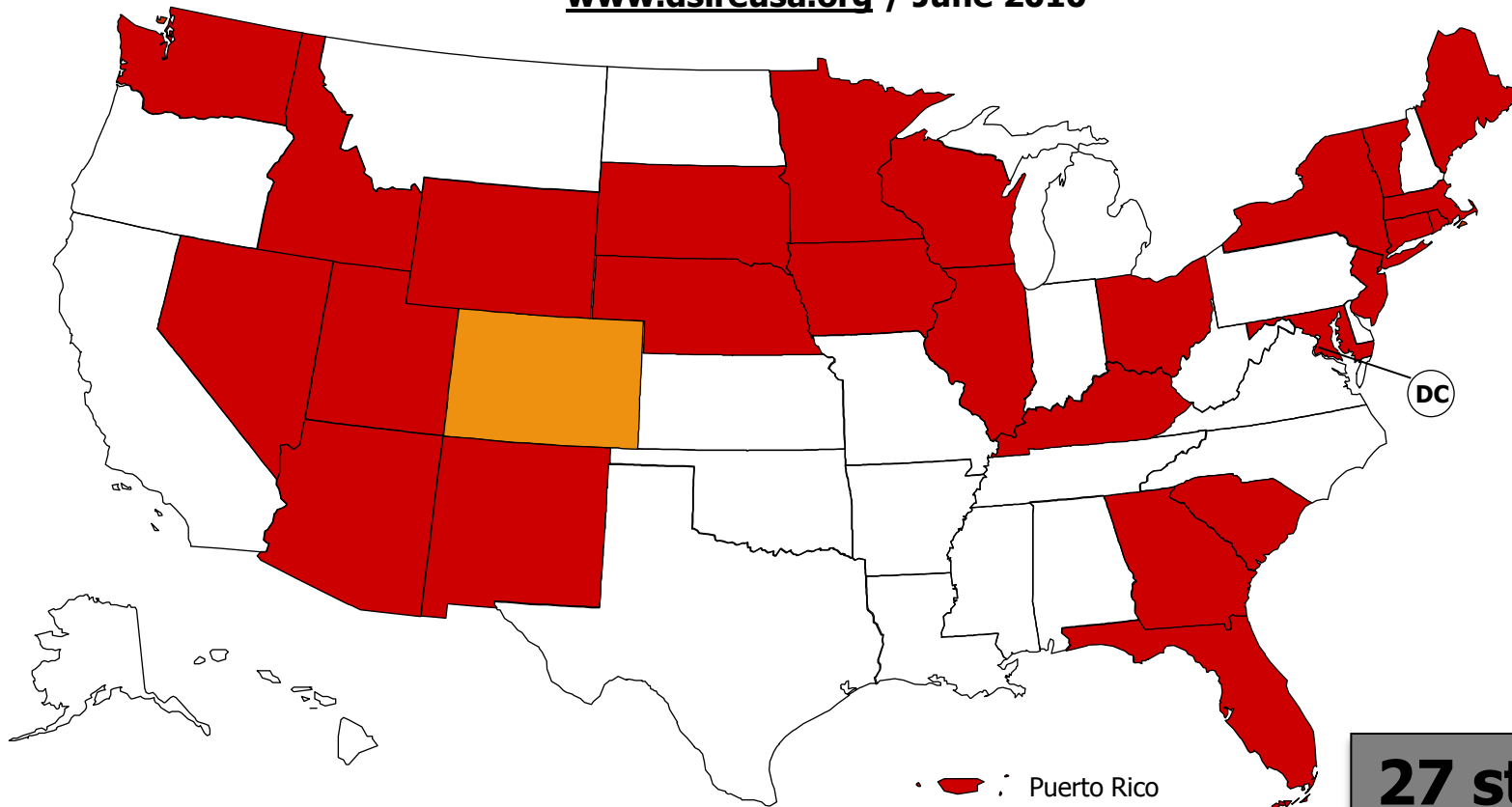
Renewable Electricity – 2

Tax Incentives

- Efforts to fit incentives into Washington's unusual tax structure
- Sales tax exemption for large and small renewables
- B&O tax benefits for renewable manufacturing
- Incentive payments for small scale solar—residential, small commercial and community

Sales Tax Incentives for Renewables

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Capturing Energy Efficiency

Utilities

- Energy policy success story: 30 years of cost-effective electrical efficiency achievements
- Predominately buildings and electricity efficiency
- I-937 requirement for electric utilities to acquire all cost-effective conservation/energy efficiency

Standards

- Statewide Appliance Standards
- Energy code for new and remodeled buildings

Capturing Energy Efficiency – 2

Public Facilities

- Energy Life-cycle cost analysis (ELCCA) for publically funded buildings
- LEED silver standard for public buildings
- Ability to use performance contracting for public facilities
- \$100 million for efficiency in K-20

Addressing Transportation, Energy and Greenhouse Gas Emissions

- Four Legged Stool: vehicles, fuels, miles traveled, system efficiency and travel options plus land use
- Vehicles
 - Sales tax exemption for certain vehicles (e.g., all electric)
 - State purchase of hybrids
 - Model ordinances to encourage vehicle electrification

Addressing Transportation, Energy and Greenhouse Gas Emissions – 2

Alternative Fuels

- Biofuels content requirements
- Require alternative fuels for public fleets by 2015
- Analysis on low-carbon fuel standard

Addressing Transportation, Energy and Greenhouse Gas Emissions – 3

Vehicle Miles Traveled

- State goals
- Commute trip reduction requirements
- Program focused on transportation alternatives and land use/transportation linkages

Developing a Bioenergy Industry

- Multi-part approach based on value chain
- Production
 - Tax incentives for biofuels production
 - Financial assistance for producers (Energy Freedom Program)
 - Authority for public sector agencies to contract for and develop biofuels/bioenergy
- Distribution and Use
 - Tax incentives
 - Expedited permitting
 - Encouragement of public sector to use biofuels, biofuel vehicles

Energy Policies in others States... but not in Washington

- Systems Benefits Charges
- Many states have tax incentives, but Washington has
 - No income tax
 - No PACE type financing
 - Property tax incentives very limited
- State financing: energy efficiency, renewables, transmission, research, development, etc.
- Fundamentally different utility structures: regional transmissions organizations (RTOs), electricity marketers, etc.